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3. POLICY DEVELOPMENTS IN DENMARK

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3.1 Introduction

Since 2002, Danish regional policy has witnessed a period of intense change. This contrasts sharply with the relatively constant picture presented during the 1990s when, after the termination of central government regional aid schemes in 1991, policies consisted of Structural Funds programmes and bottom-up initiatives, tempered by attempts by central government to introduce a greater degree of coordination. The pace of change picked up in earnest in 2003 and has revolved around four closely-related central government initiatives which, taken together, have profoundly transformed the organisational set-up for regional policy and have established a national governance framework for regional development strategies:

- A major reform of local government came into force on 1 January 2007, reducing the number of local authorities from 275 to 98 and the number of intermediate-level units from 14 *Amter* to five large regions.
- The 2005 Business Development Act (*Lov om erhvervsfremme*, L47 of 16 June 2005) gave the new regions statutory responsibility for economic development through statutory partnership bodies, *regional growth fora* (RGFs). It positively defined six areas on which activities must focus rather than, as had hitherto been the case, negatively barring subnational actors from using financial subsidies to individual firms to promote economic development in their area.
- The new institutional set-up integrated local, regional, national and European economic development activities within a single, programme-based, policy structure. This is very different from practices in the 1990s when the policies of the different levels of government tended to operate in a much more segregated manner and often through separate organisational channels.
- The Globalisation Strategy of the Danish government introduced so-called partnership agreements with individual regional growth fora. These attempts to increase coordination between current national policy concerns and economic development initiatives at the regional level.

In the period under review Danish regional policy has first and foremost been characterised by continuity: as instituted by the new legal, organisational and financial framework the six RGFs continue to plan and implement regional development activities, drawing on EU, national and local funding. However, in addition to this two new developments have occurred which underline the growing importance in Denmark of regional issues:

- The so-called Renewal Fund (*Fornyelsesfonden*) was established as part of a new stage of the Globalisation Strategy, with one of its three priority areas being to support structural change in localities that have been hit hard by the current economic crisis.¹
- In spring 2010 an unprecedented political and media interest in regional issues occurred, culminating in a two-week campaign by DR, the Danish Broadcasting Corporation, under the heading *The Break-up of Denmark*,² and triggering new political proposals for dealing with what has been named 'The Rotten Banana'.

Regional issues have, in other words, further up the agenda both in practical policy-making and, perhaps more surprisingly, in public political debate. The background and implications of these developments will be explored in the following sections.

3.2 The changing nature and perception of the regional problem

Differences in wealth between the capital city area and the rest of Denmark are relatively limited by international standards. No NUTS III region deviated by more than 13 percent from the national average in terms of productivity per employee in 2006.³ Similarly, as illustrated by **Figure 3.1**, unemployment levels do not vary significantly and, indeed, have become more uniform since 2004, despite a slight widening of the gap between North Jutland and the rest of Denmark during the current economic crisis.

The underlying perception of the regional problem has not changed since the publication of the last regional policy White Paper in 2003.⁴ This can be seen in the most recent government report on regional development⁵ which highlights two broad concerns. On the one hand, it is seen to be important that each region maximises its contribution to national growth while, on the other, less well-off peripheral parts of the country are acknowledged to warrant special attention based on considerations of equity.

The dual perception of the regional problem was institutionalised in the 2005 Business Development Act. This defines the purpose of regional policy in terms of six priority areas: innovation, ICT, entrepreneurship, human resources, tourism, and the development of peripheral areas. The first four have been derived from the 'growth drivers' identified by OECD and form the basis of the synthetic regional competitiveness model used in the

¹ <http://www.fornyelsesfonden.dk> [in Danish only].

² [Apologies to Tom Nairn].

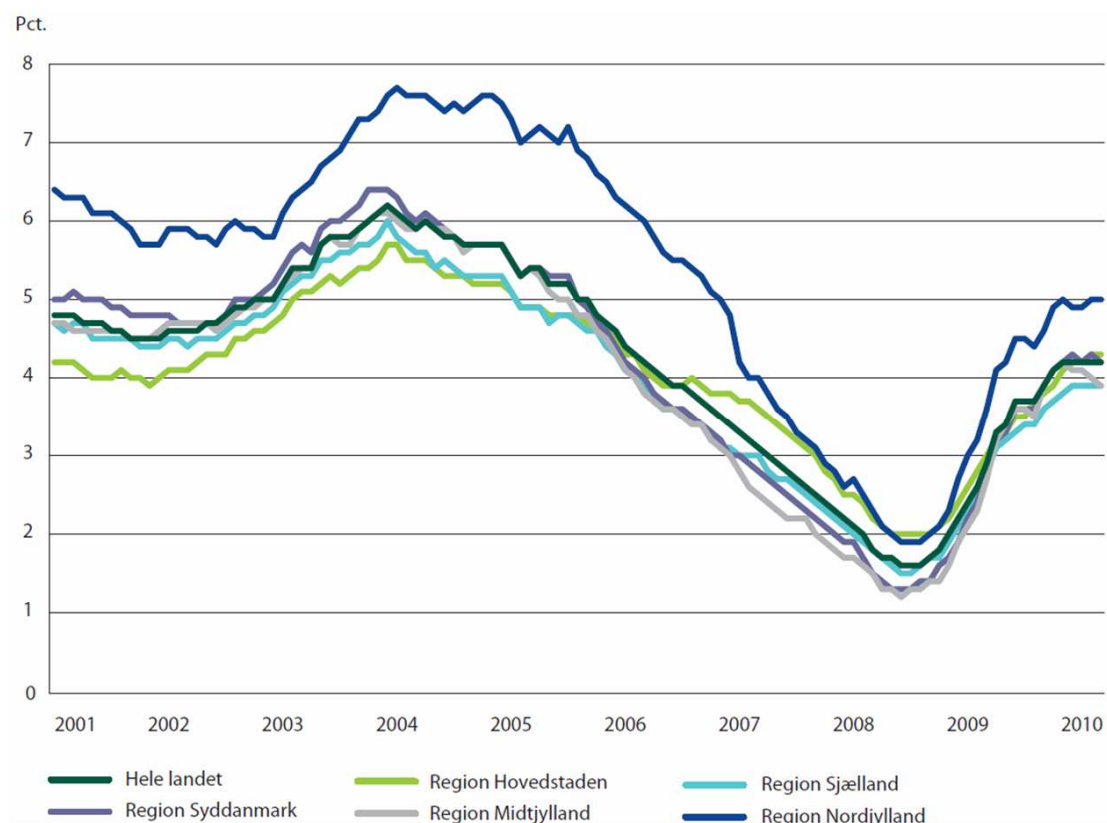
³ Økonomi- og Erhvervsministeriet. (2008). *Baggrundsrapport til regionalpolitisk vækstreddegørelse*. København: Økonomi- og Erhvervsministeriet, p 14.

⁴ Regeringen (2003) *Den regionale vækststrategi*, København: Økonomi- og erhvervsministeriet; English version www.oem.dk/publication/growth/strategy.pdf.

⁵ Økonomi- og Erhvervsministeriet. (2010). *Regionalpolitisk vækstreddegørelse 2010*. København: Økonomi- og Erhvervsministeriet.

annual government report on regional issues.⁶ The addition of the last two priority areas reflects political concerns about the persistent underperformance of peripheral areas, characterised by population decline and limited economic development; these areas comprise most of the main areas of coastal tourism in Denmark.

Figure 3.1: Unemployment in percent of workforce



Source: Økonomi- og Erhvervsministeriet. (2010). *Regionalpolitisk vækstreddegørelse 2010*. København: Økonomi- og Erhvervsministeriet, p 7.

The original reason for the increased emphasis on peripheral areas in a strategy otherwise oriented towards maximising national growth may well have been a long-term attempt to create greater policy flexibility by replacing the traditional Structural-Funds-style micro-zoning with a less rigid national regime while still being seen to favour the worst-off areas in funding terms (see Section 3.3.2). However, electoral politics has clearly also played a role for the Prime Minister's Liberal Party and the government's supporters in the right-wing populist Progress Party which both have a significant part of their voters outside the main areas of economic growth in metropolitan Copenhagen and Eastern Jutland, and in the period under review a combination of circumstances have given regional issues an added political urgency. While the recent local government reform was the key enabling factor,

⁶ See Indenrigs- og Sundhedsministeriet (2007). *Regionalpolitisk Redegørelse 2007*. København, Indenrigs- og Sundhedsministeriet.

creating bigger units of subnational governance and making regional economic development a statutory task of the new regions, the triggering factors were vigorous debates on centralisation of especially health care in the new regions and the spatially uneven impact of the economic crises.

The importance of electoral politics was highlighted by two separate developments. First the otherwise a-spatial Globalisation Strategy suddenly acquired a peripheral dimension by giving the new Renewal Fund local economic restructuring as one of its priority areas, establishing a framework for direct government support for localities in economic distress. Secondly, a period of intense political debate about *The Break-up of Denmark* sparked new political initiatives aimed at addressing inequalities between, and indeed within, regions. *Danish Regions*, the interest organisation representing the five Danish regions, recently launched a green-paper which focused primarily, but not exclusively, on policy areas in which the regions have statutory involvement (regional economic development, health).⁷ In parallel with this the governing *Liberal Party* produced a wide-ranging catalogue of new (and old) ideas covering a broad spectrum of development challenges for peripheral localities, some of which are likely to become government policy before the run-up to the next general election in late 2011.⁸ However, as both sets of proposals have not yet been translated into concrete activities, the following sections will concentrate on existing policies, including those of the new Renewal Fund.

3.3 The changing policy response

The last eighteen months have not seen any major changes in the general strategic orientation of policy. Although increased political attention on regional issues has led to the launching of an additional initiative, the Renewal Fund with a role in local economic restructuring, this fits well into the existing strategy of strengthening the competitiveness of particularly weak localities. In order to put this situation into a longer time perspective, it is worth briefly contrasting recent developments with the previous paradigm in order to appreciate the novelty of the new approach.

3.3.1 Changing policy objectives

The 2003 White Paper marked an important strategic turning point in that it defined the aim of central government with regard to regional development as maintaining Denmark's "*leading position within Europe as one of the countries with the smallest differences between regions*" through "*specific initiatives ... that target peripheral areas so that they are not cut off from the growth occurring in other parts of the country*".⁹ Compared to the strategies of the 1990s, which emphasised regional policy as a means to increase regional -

⁷ Danske Regioner (2010), *Vækst i hele Danmark - Yderområdernes udfordringer og muligheder*. København, Danske Regioner.

⁸ Venstres folketingsgruppe (2010), *Danmark i bedre balance*. København, Venstres folketingsgruppe.

⁹ Regeringen. (2003). *Den regionale vækststrategi*. København: Regeringen.

and hence national - efficiency,¹⁰ the importance of interregional equality as a goal in its own right was clearly highlighted by the White Paper. However, in the context of the 2005 Business Development Act, this stress on equity coexists with a growth-oriented agenda which focuses on the role of the new regions in promoting economic development.

This dual approach is mirrored by the Renewal Fund where the focus on support for local economic restructuring co-exists with two other priorities, green growth and welfare technology, which aim to strengthen national competitiveness.

3.3.2 Changes in the spatial focus of policy

The spatial orientation of Danish regional policy changed in two ways with the introduction of the new approach which came into operation at the start of 2007, becoming both geographically comprehensive and selective at the same time.

Regional policy has become spatially comprehensive in that each of the five new regions is statutorily obligated to establish one (or more) regional growth fora, each having the task of monitoring and furthering economic development in its region. This contrasts sharply with the voluntary character of regional-level initiatives under the 'old regime' where regions could decide whether they would engage in such activities or not, resulting in a geographically uneven pattern across the country.

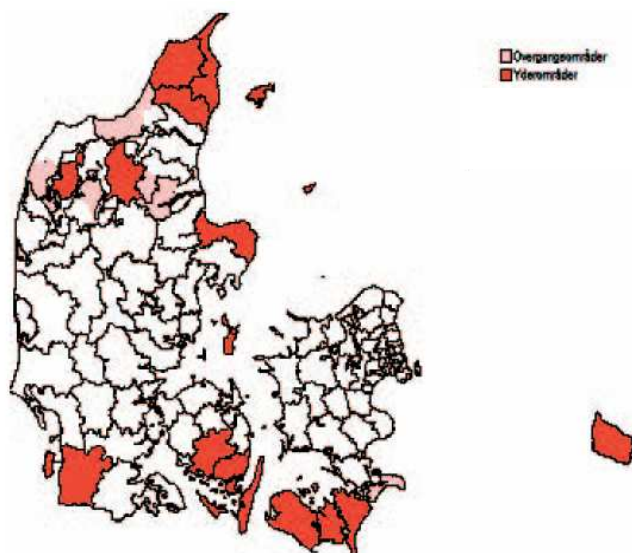
At the same time the government report on regional growth in May 2006 formalised the role of spatial selectivity in Danish regional policy which since the termination of regional aid schemes in 1991 had only been present through the various Structural Funds programmes.¹¹ The May 2006 report announced the designation of *yderområder*, peripheral (or literally 'outer') areas that would benefit from targeted support from various programmes, national as well as regional and European, because they met two criteria: that work- and business-related income is less than 90 percent of the national average; and that population growth is less than 50 percent of the national average. The final result is the map shown in **Figure 3.2**.¹²

Figure 3.2: Peripheral and transitional areas as of 2006.

¹⁰ Halkier, Henrik (2001) Regional Policy in Transition - A Multi-level Governance Perspective on the Case of Denmark, *European Planning Studies* 9(3): 323-38.

¹¹ Halkier, Henrik (2001) Regional Policy in Transition - A Multi-level Governance Perspective on the Case of Denmark, *European Planning Studies* 9 (3): 323-38.

¹² The territorial unit for designation is the new (greatly enlarged) local district. However, in order to take into account the integration into wealthy districts of relatively weak areas, a number of 'old districts' have been designated as 'transitional areas'. In addition to this, all small inhabited islands have been designated.



Source: Indenrigs- og Sundhedsministeriet (2007), Regionalpolitisk redegørelse 2007 - Analyser og baggrund. København, Indenrigs- og Sundhedsministeriet.

Although the current Danish Structural Funds programme covers the entire country, some degree of spatial selectivity is being maintained by making the new programme an integrated part of national regional policy. This is because it has been decided that at least 35 percent of expenditure on regional development projects should be to the benefit of the designated peripheral areas in which only around 10 percent of the Danish population lives. Moreover, in terms of policy instruments, the only areas in which direct investment subsidies to individual firms may be used are small islands with no bridge to the mainland. In effect, this institutes a second tier of micro-zoning as a sub-group of the designated peripheral areas.¹³

In contrast to the stable designation of peripheral areas within mainstream regional policy in Denmark, the Renewal Fund has a more discretionary approach, probably reflecting its limited funding and a need to be able to provide agile responses to local economic crises. In practice this means that in order to be eligible for support, a locality needs to fulfil both objective criteria (above-average unemployment or growth in unemployment) and a more subjective one, namely that alternative employment possibilities are limited in view of the Renewal Fund. In terms of geography this has meant that in 2010 most, but not all, of the designated *yderområder* have been eligible, as well as many other, mostly adjacent parts of Denmark.

3.3.3 Changing policy instruments

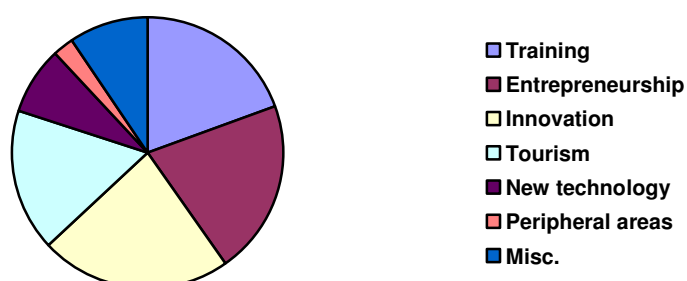
Neither the organisational changes which have been made nor the new form of spatial selectivity seem likely to alter the existing emphasis with regard to policy instruments and

¹³ Halkier, H. (2008). *Building Up Speed*. IQ-Net Silesia 2008 Review Paper, County Report for Denmark. Vaarst: KatPlan.

development strategies. The powers specifically granted to the new fora by the 2005 Business Development Act concern the six priority areas mentioned above - innovation, ICT, entrepreneurship, human resources, tourism, and peripheral areas. No powers to provide direct financial aid to individual firms have been instituted. This means that, in broad terms, the policy instruments available to the new fora are very similar to the former regional development measures initiated 'from below'.

Now that all six new regional growth fora are fully functioning, two trends are in evidence: one concerns the wide variety of initiatives introduced; the other relates to the variable prominence of such measures between regions.

Figure 3.3: Distribution by theme of projects supported by regional growth fora in 2008.



Source: Danske Regioner (2009), Regional erhvervsudvikling. De regionale vækstforas investeringer 2008. København, Danske Regioner, p 8. No data has been published for 2009.

As illustrated by **Figure 3.3**, a wide range of issues have been supported by the regional growth fora. However, the extent to which this represents a shift in focus is difficult to determine, as similar data are not available for the years before local government reform, but what is clear is that the profile of the projects supported varies greatly between regions. This pattern supports the rationale for *regional* delivery of economic development policies - namely that initiatives should mirror region-specific challenges and priorities. It is also important to stress that **Figure 3.3** underestimates the extent to which activities in peripheral areas have been supported because each project has only been assigned to one of the six areas of intervention by the regional growth fora; a more detailed breakdown shows that around 32 per cent of Structural Funds expenditure in Denmark has been spent for the benefit of the designated peripheral areas.¹⁴

In terms of policy instruments, the vast majority of projects supported by the regional growth fora take the form of 'framework measures' in support of the business environment. Direct financial subsidies to individual firms can only be used in what must be viewed as the

¹⁴ Økonomi- og Erhvervsministeriet. (2009). *Regionalpolitisk vækstredelse 2009*. København: Økonomi- og Erhvervsministeriet, p 28.

Danish ultra-periphery - small no-bridge islands - while an additional tax rebate for long-distance commuters from peripheral areas remains a marginal measure. Instead, and fully in line with practice since the abolition of regional grants in 1991, the backbone of regional development activities in Denmark are various types of business advisory service of a more or less specialised nature. Following local government reform and the 2005 Business Development Act, basic support activities have become the responsibility of local government. In theory, this allows the regional tier to concentrate on more specialised development activities, though the new and larger local authorities may also venture into this more demanding area of business support. In practice, however, the existing multi-tier sponsored *Regional Business Centres* have largely transmuted into *Regional Growth Houses*, albeit with a stronger emphasis on small and new firms “with ambitions to grow”.¹⁵ As a result, at least for the time being, the division of labour between the regional and local tiers with regard to implementation of economic development activities seems not to have been significantly altered in the wake of local government reform.

The focus on using policy instruments of a non-financial nature does not imply that the question of state aid has become irrelevant. On the contrary, it has, if anything, become more complicated, relating to the provision of, for instance, advisory services or network arrangements. Because the Danish Structural Funds programmes have not been notified,¹⁶ the same state aid rules apply throughout the country for all regional development projects no matter how they are financed. The body responsible for implementing regional policy, the DECA (Danish Enterprise and Construction Authority), has the task of ensuring that projects with European funding fall within the state aid rules; this responsibility lies with the Danish Competition Agency for projects in receipt of national funding only.

In terms of policy instruments continuity in other words prevails, and the introduction of the Renewal Fund has only modified this picture marginally. Although the competition for limited funds was much tougher than for e.g. Structural Funds support through the RGFs - applications received added up to six times the amount available - the type of projects supported did not differ substantially from projects supported by the mainstream policy channels in recent years, with the main emphasis being on new applied knowledge institutions with a pronounced green and/or maritime flavour.¹⁷

3.3.4 Changing policy budgets and expenditure

A premise in the political process leading up to local government reform was that the aggregate level of expenditure on regional economic development should remain broadly the same. In 2008 this target has been reached, as the sum of central government, regional, local, private and European funding involved in projects supported by the regional

¹⁵ See <http://www.ebst.dk/eservice>.

¹⁶ Halkier, H. (2008). *Building Up Speed*. IQ-Net Silesia 2008 Review Paper, County Report for Denmark. Vaarst: KatPlan.

¹⁷ Fornyelsesfonden (2010), Pressemeddelelse: 51 mio. kr. til nye job og vækst i Udkantsdanmark. Silkeborg, Fornyelsesfonden.

growth fora amounted to €288 million,¹⁸ and the economic crisis has not affected either applications or project implementation negatively, possibly because of the emphasis on soft infrastructure and public co-funding for European monies. Compared to the budgets of the RGFs, the €6.7 million allocated to local restructuring projects by the Renewal Fund are of course marginal in overall financial terms, but by concentrating them in a small number of hard-hit localities they may nonetheless still have a tangible impact.

3.4 Changes in the delivery of policy

3.4.1 Centralisation or decentralisation of policy

No major changes have occurred in the institutional set-up surrounding regional policy in Denmark over the last eighteen months. The 2005 Business Development Act stipulates that each of the five new regions must establish one (or more) regional growth fora. These are partnership bodies in the traditional Structural Funds mould, which provide input to the elected regional councils with regard to development measures. The six regional growth fora¹⁹ have been in operation since April 2006 and their roles are defined by the 2005 Business Development Act. At the political level, the fora consist of persons proposed by local and regional government - i.e. the new districts and regions - as well as private sector organisations and knowledge institutions. The administrative support for the growth fora is, however, integrated into the new regional administrations, despite reporting to the regional growth fora partnership bodies rather than the democratically-elected regional councils. The main roles of the fora are defined as follows:²⁰

- To keep track of developments in their area; this is done through a data collection system and a regional development model developed jointly between central government and the growth fora.
- To initiate new activities through funding from both local and central government; however, it is important to note that the new fora are statutorily prohibited from implementing programmes directly.
- Subsequently, new primary and secondary legislation²¹ has given the new fora a key role in the administration of the Structural Funds in Denmark, thereby increasing the resources at their disposal and the scope for coordination between regional development activities sponsored by different tiers of government.

¹⁸ Danske Regioner (2009), *Regional erhvervsudvikling. De regionale vækstforas investeringer 2008*. København, Danske Regioner, p 10. This figure includes the Structural Funds parts of regional economic development activity.

¹⁹ One for each region but two for the capital city region - one dealing with the metropolitan area and the other with the peripheral island of Bornholm.

²⁰ L47 of 16 June 2005.

²¹ L1599 of 20 December 2006; Økonomi- og Erhvervsministeriet (2007). *Bekendtgørelse om henlæggelse af beføjelser til Erhvervs- og Byggestyrelsen efter lov om administration af tilskud fra Den Europæiske Regionalfond og Den Europæiske Socialfond*, 17.1.07. København, Økonomi- og Erhvervsministeriet.

In many ways the latter role can be seen as the key to the influence of the Regional Growth Fora in Danish regional policy, because the new partnership bodies rather than the elected regional councils hold the key to unlocking sizeable additional funding for regional development activities - while on the other hand the Regional Council cannot initiate development measures without the consent of the partnership body.

Compared to the situation prior to the 2005 Business Development Act came into force, the new institutional setup primarily involves a decentralisation in the sense that all regions are now obliged to engage themselves in regional economic development activities and the role of national authorities (and DECA in particular) is simply to ensure that these activities do not contravene national or European regulations.

The Renewal Fund is a national body situated at arm's-length from government and administratively supported by DECA. This makes it stand out as the only national body responsible for making substantial selection of projects in support of regional development, but given the limited size of its financial resources and the requirement for 15% RGF co-funding, this does not appear to have caused controversy.

3.4.2 Coordination changes - Agreements, contacts, committees

No changes to the coordination arrangements have occurred in the period under review, but as reported earlier the new set-up has increased coordination along three lines.

First, horizontal coordination has been enhanced both at the national and sub-national levels. Structural Funds programming has become integrated in national activities because the same statutory bodies, the regional growth fora, are in charge of recommending or deciding project support and thus effectively use European funding as one source of finance among others. Moreover, the advisory tripartite Danish Growth Council has tasks ranging across the entire remit of the 2005 Business Development Act and thus helps to integrate regional policy into the broader framework of economic development policy.

Second, vertical coordination between the regional and local levels has increased through the role of local authorities as prominent supporters of regional development measures (as funders and also, to some extent, as implementers). Although systematic evaluation of the new setup is only in the process of being undertaken,²² indications would seem to be that the regional-local coordination functions reasonably well in the three westerly regions but has been more difficult on Zealand and Copenhagen.

Third, vertical coordination between the national and regional levels has increased, not just through legislative regulation but also via the subsequent institution of so-called partnership agreements between central government and each of the six regional growth

²² A research project on partnership processes in and around the new Regional Growth Fora has been sponsored by DECA and is undertaken at Aalborg University as part of the doctoral research by Peter Wilgaard Larsen.

fora.²³ These documents, the first versions of which were signed in early summer 2007 and which cover the period 2007-09, entail both a general political commitment to shared goals and specific undertakings that the two sides will attempt to progress. The official purpose of the political commitments is to secure compatibility between the globalisation strategy of central government and regional strategies for economic development. However, an important though much more low-key and mundane implication of the vertical partnership agreements is that they create a degree of commitment to regional development activities by departments of central government other than the Ministry of Economic and Business Affairs. The partnership agreements are revised on an annual basis, and the current round of negotiations has, probably in the light of the financial crisis, involved additional partners both at the national level (the Ministry of Employment) and the regional level (the Regional Employment Councils, tripartite labour market partnerships), something that could potentially widen the focus of the agreements and that has increased coordination between policy networks.

Finally, the support of the Renewal Fund for local economic restructuring is coordinated with mainstream regional policy in two ways: politically through the requirement of RGF co-funding for projects, and administratively by being supported by DECA's office in Silkeborg.

3.4.3 Ensuring efficiency

No changes with regard to efficiency-measures have occurred in the period under review.

As reported earlier the Standardised collection of data on regional economic performance orchestrated by DECA should allow the regional growth fora to base their policies on up-to-date analyses of regional development trends, while facilitating evaluation within and across regions with regard to both policy programmes and individual projects. Moreover, within the new set-up, Danish regional policy is tied to national targets with regard to training, entrepreneurship, innovation, and R&D. For each of these areas, the performance of every region is measured, and DECA is working with Statistics Denmark to devise additional indicators with regard to framework measures and the performance of firms/individuals. However, as no targets have been defined for individual regions, the consequences of persistent underperformance are still unclear.

²³ Regeringen / Bornholms Vækstforum (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Bornholms Vækstforum; Regeringen / Vækstforum for Region Hovedstaden (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum for Region Hovedstaden; Regeringen / Vækstforum for Region Midtjylland (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum for Region Midtjylland; Regeringen / Vækstforum for Region Nordjylland (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum for Region Nordjylland; Regeringen / Vækstforum for Region Syddanmark (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum for Region Syddanmark; Regeringen / Vækstforum Sjælland (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum Sjælland.

As yet, no official evaluation of the new approach to regional policy has been scheduled, although the DECA has sponsored a three-year PhD scholarship at the University of Aalborg which will focus on organisational aspects of the operation of the new institutional set-up. However, on a more detailed level, DECA has commissioned a consultancy firm to undertake a study of the relationship between the priorities in the Structural Funds programme and the economic development strategies of the six regional growth fora, something that may also shed light on why e.g. an area like new technology has had a limited take-up compared to original expectations.

3.4.4 Anchoring accountability

The new institutional set-up would appear to involve a clear separation between, on the one hand, policy design (undertaken by the regional growth fora) and, on the other hand, policy delivery (undertaken by arm's-length bodies often established by groups of local authorities). In practice, however, the division of labour has proved to be less clear-cut, with regional preferences influencing implementation structures and implementing bodies participating in strategy development.

The new fora include a sizeable number of elected politicians who have been elected to either the regional council or local authority and then appointed to the regional growth fora. As a result, the democratic accountability of the regional growth fora is of an indirect nature.

At the national level, the DECA office in Silkeborg has responsibility for policy-making, while responsibility for assessing the Structural Funds applications of the three eastern regional growth fora and for generally overseeing their work has been delegated to DECA's Copenhagen office.

3.5 Conclusions

During the last eighteen months Danish regional policy would seem to have demonstrated the robustness of the new institutional set-up during a period of economic and political turbulence, both in terms of strategic orientation, project profiles, and organisation. Perhaps the clearest sign of the political stability of the, after all fairly recently created, RGFs was the fact that the increased politicisation of regional disparities has not led to demands for reform of the new system, and even the minor regional role given to the new national Renewal Fund has been tied to RGF strategies through the requirement of co-funding. In short, after a limited period of existence it would appear that government clearly perceives the RGFs to be useful channels also for implementing other forms of regional policy.

3.6 EU cohesion policy reform

No new mandate on cohesion policy reform has been elaborated by the Danish Foreign Office, but it is expected to emerge in the wake of the next Cohesion Report, also because the Danish EU presidency in early 2012 may end up playing an important role in the negotiations. It is, however, likely that the position will not differ greatly from the current one, with pragmatic reform being the main approach despite more radical views regarding the scale and distribution of funding for this policy area.

Papers like the Samecki report have been useful in maintaining Structural Funds reform on the political agenda, something which has of course been appreciated by Danish policy-makers, but the specific document would now seem to be overshadowed by *EU 2020* and the next Cohesion Report.

The current approach of DG Regio with e.g. high-level groups is seen as a useful way of creating more openness and ownership in the process also among the member states.

The following text has been culled from the Spring 2010 IQ-Net thematic report and expands on the themes indicated above.

3.6.1 *Priorities*

Priorities such as the three espoused by *EU 2020* - knowledge-based growth, inclusive empowering, and competitive, connected and green economy - are unproblematic as general guidance, and would probably not make much difference to the very Lisbon-oriented Danish programmes, unless they were followed by specific requirements with regard to programming such as e.g. earmarking of expenditure or cross-cutting objectives. The major problem with these very general objectives is their generic nature: they could just as well be addressed through sectoral policies and do not provide a rationale for regional policy as such. This is a political problem in two ways:

- It does not clearly point a way forward for the role of European cohesion policy and therefore in effect becomes unstrategic: almost any activity would be possible to justify by reference to one of the three *EU 2020* objectives, and no positive lead is provided for policymakers at the national and regional levels.
- At the same time, and in many ways a consequence of the first problem, it runs the risk of making cohesion policy appear as expansive empire building, trying to subsume activities that have traditionally been undertaken by other (sectoral) DGs, and thus the absence of a well-defined strategy would therefore seem to be risky for DG Regio in terms of the institutional politics within the famously labyrinthine and somewhat disjointed EU administration.

According to Danish programme administrators the future of European cohesion policy does *not* lie in an overall strategy with such a wide remit that anything goes in recipient counties, because this brings the Structural Funds dangerously close to their original role as

compensatory inter-state budget transfers that has led to the call from some countries, including Denmark, for re-nationalisation of regional policy. Instead a viable point of departure would be the recommendations of the Barca report for a place-based cohesion policy that would focus on the specific development challenges in particular localities, from the Black Sea to the City of London and Lemvig, that cannot be addressed by nation- or EU-wide sectoral measures. However, this, of course, presupposes that regions across Europe are willing to comprehensively address whatever can be established as their socio-economic weaknesses rather than shelter existing activities from global market pressures so that, ultimately, all regions contribute to increasing European competitiveness in the spirit of the Lisbon agenda.

In order to succeed this would require a combination of top-down joint priorities and bottom-up initiatives within these that would concentrate efforts by focusing on particular e.g. cross-cutting development drivers - like the OECD growth drivers in the case of Denmark - and involve national and sub-national actors in devising place-specific ways of addressing these challenges.

3.6.2 Performance and results

A general preface to the discussion of performance and results is the issue of proportionality of regulation: having the same rules regarding incentives, monitoring and reporting is seen as problematic, not only in the negative sense that small programmes end up carrying a proportionally larger administrative burden than large ones, but perhaps also in the positive sense that in some respects hitting e.g. project targets may be easier in relatively small programmes if the Structural Funds were to be comprehensively incentivised.

3.6.3 Incentives and conditionalities

In terms of making Structural Funds programming more performance-oriented, neither of the various technical solutions (peer review, bonuses, awards, exchange of good practice) are seen as a panacea because all of them have either been tried already (the performance reserve, IQ-Net as an example of systematic experience sharing) or have obvious drawbacks (the unpredictability and negotiability of peer reviews). A basic problem is seen as too many incentives would make programmes and project selection more conservative and less risk-taking, an approach that would hardly assist regions in moving into new and more competitive forms of economic activity. In some ways making better use of evaluation resources like through e.g. thematic evaluations that can contribute to the development of particular aspects of Structural Funds programming might be the best option, but if for political reasons the Commission insists on incentives and conditionalities having a supra-national dimension, then focusing on e.g. macro-regions within the EU like the Baltic Sea area might be a possible way forward.

3.6.4 Monitoring and evaluation

Basic problems within the current setup - apart from the lack of proportionality - are seen as:

- Too much focus on macro-indicators and output measures in ex-ante evaluation and monitoring means that their usefulness for strategic planning and monitoring becomes limited.
- Timing - too much focus on ex-post which is of limited practical use because results refer to contexts (economic, programme-wise, institutionally) that to a large extent have been superseded when the evaluation is finally published.

More strategically useful indicators and evaluations focusing on strategic impact would be preferable, something which would require e.g. counterfactual and other innovative evaluation methodologies.

3.6.5 Strategic reporting

The strategic report is seen as an administrative routine which needs to be accomplished for approval with the appropriate (minimal) effort on part of the managing authority, but still the balance between the resources committed to the task and the strategic usefulness, at least at the national level, is limited. Improvements might involve reducing the scope of the report, concentrate on strategic issues, and thereby make the content of the document live up to its name to a larger extent.

3.6.6 Institutional capacity

This appears to be an area where it is difficult to see a role for the Commission in the context of Danish Structural Funds programming.

3.6.7 Strategic coherence between policies and funding instruments

Clearly the Structural Funds programmes in Denmark are Lisbon-compliant to a very large extent, and although the EU guidelines will have of course facilitated this, it also - and perhaps primarily - reflects the emphasis on the OECD growth drivers found in the 2005 Business Development Law. The main challenge is seen as having a similar strategically-oriented approach employed more systematically throughout the EU.

Increased coordination between the various European (and national) instruments would be desirable, not only between place-based instruments but also in relation to sectoral instruments like the European research Framework Programme where it would be helpful if common conditions (e.g. with regard to institutional overhead payments) existed so that e.g. public knowledge institutions are not attracted to particularly lucrative programmes.

3.6.8 Territorial cooperation and cohesion

This was not a major area of concern, despite or because the recent structural reform of sub-national government in Denmark. Despite because the geography of the new regions have been based on health care provision rather than functional economic regions, and because the recentness of reform efforts has concentrated minds on making the new set-up work rather than transgressing what is obviously a challenge in terms of economic geography and policy-making.

3.6.9 Simplification/rationalisation of administration

While it is of course difficult to oppose simplification, Danish programme administrators expressed some wariness with regard to new initiatives in this direction, because previous experience often resulted in regulations being substituted by reporting and thus, from an administrative perspective, little had been achieved. An example of this was a simplification of overhead rules that had led to demands for additional financial reporting.

Apart from the plea for proportionality in administrative procedures, one particular measure that could help to limit errors and omissions in the management and monitoring of individual projects would be to make it easier (i.e. attractive) to undertake partial closure of programmes because problems with e.g. incomplete documentation would be reduced.

3.6.10 Governance

The two main areas in which the Commission could - and according to Danish programme administrators rather urgently should - adopt a more strategic role are:

- To define the role of cohesion policy vis-à-vis other EU policies more clearly, cf. Section 1.1 above: this would not only improve the strategic direction of the Structural Funds but also make the institutional and political position of DG Regio less tenuous.
- To move out of the distrustful shadow of fraud allegations by simplifying the current hierarchy of audit exercises which makes it more difficult to be innovative in terms of policy instruments and more risk-taking projects.

From this perspective the problem with regard to partnership is not in relation to sub-national or private-sector actors, but that in practice hierarchy prevails over partnership in vertical relations: the existing audit regime directs the attention Structural Funds managers towards safe handling of receipts and away from bringing about long-term strategic change in the regional economy.

3.7 Competition policy

The regional aid guidelines have not been a major issue or point of discussion among policy makers because of the limited importance of direct grants and, indeed, micro-zoning in Danish regional policy. As reported in connection with recent rounds of IQ-Net research, the use of crisis measures within the Danish Structural Funds programme has been marginal, and the local restructuring priority of the new Renewal Fund is the only measure that would seem to have been driven by the current crisis.

Sources

In addition to the documents quoted above, the elaboration of this text has also benefited from an interview with Preben Gregersen, Head of Department, and Ebbe Poulsen, Head of Division, in DECA's Centre for Regional Development in Silkeborg.